



GENERAL ASSEMBLY COMMONWEALTH OF KENTUCKY

2006 REGULAR SESSION

HOUSE BILL NO. 562

THURSDAY, MARCH 2, 2006

The following bill was reported to the Senate from the House and ordered to be printed.

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TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. J. J. J.

AN ACT relating to the taxation of watercraft.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

SECTION 1. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO
READ AS FOLLOWS:

As used in Sections 1 to 6 of this Act:

(1) "Corporation" means any corporation, company, association, partnership, limited liability company, limited liability partnership, other business association, or person operating any watercraft for commercial purposes in the Commonwealth;

(2) "Watercraft" means any boat, tow boat, push boat, barge, or similar vessel. Watercraft shall not include:

(a) Floating equipment used in construction, including but not limited to dredges, pile drivers, and flats;

(b) Houseboats;

(c) Fishing boats;

(d) Pleasure boats; or

(e) Commercial dining boats;

(3) "Department" means the Department of Revenue;

(4) "Operating" or "operated" means owned, leased, rented, or used;

(5) "Local taxing district" means a local taxing jurisdiction or district, including a county, city, charter county, school district, consolidated local government, urban-county government, and special taxing district, which has a navigable waterway within its borders;

(6) "Navigable waterway" means and shall include the following:

(a) All of the Mississippi River within or bordering this state;

(b) All of the Ohio River within or bordering this state;

(c) The Kentucky River beginning at Ohio River mile marker 545.8 and ending

- 1 at Kentucky River mile marker 76;
- 2 (d) The Green River beginning at Ohio River mile marker 784.4 and ending at
- 3 Green River mile marker 143;
- 4 (e) The Tennessee River beginning at Ohio River mile marker 934.5 and
- 5 ending at Tennessee River mile marker 62.4;
- 6 (f) The Cumberland River beginning at Ohio River mile marker 920.5 and
- 7 ending at Cumberland River mile marker 74.7;
- 8 (g) The Big Sandy River beginning at Ohio River mile marker 317.2 and
- 9 ending at Big Sandy River mile marker 14.2;
- 10 (h) The Licking River beginning at Ohio River mile marker 470.2 and ending
- 11 at Licking River mile marker 8; and
- 12 (i) Any other waterway in this state utilized by a corporation for the
- 13 transportation of watercraft during the previous calendar year.

14 SECTION 2. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO

15 READ AS FOLLOWS:

- 16 (1) Notwithstanding KRS 132.486, the watercraft of any corporation operating
- 17 within this state, or partly within this state and partly within other states, shall be
- 18 assessed by the department as of January 1 each year.
- 19 (2) The department shall have the sole power to value and assess all of the
- 20 corporation's watercraft.
- 21 (3) The department shall bill and collect all ad valorem taxes on watercraft and shall
- 22 divide, allocate, and distribute the tax receipts as provided in Section 4 of this Act
- 23 to each local taxing district within this state.
- 24 (4) The value of the corporation's watercraft shall be apportioned to this state by
- 25 multiplying the assessed value by a fraction, the numerator of which shall
- 26 include:
- 27 (a) Ninety percent (90%) of the length of the corporation's Ohio River route

1 that borders Kentucky;

2 (b) Fifty percent (50%) of the length of the Mississippi River route that borders
 3 Kentucky;

4 (c) Fifty percent (50%) of the length of the Big Sandy River route that borders
 5 Kentucky; and

6 (d) One hundred percent (100%) of the length of all other navigable waterways
 7 within Kentucky;

8 and the denominator of which shall include the length of all waterway routes
 9 traveled in all states by the corporation during the previous calendar year.

10 SECTION 3. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO
 11 READ AS FOLLOWS:

12 On or before January 1, 2008, and each year thereafter, each corporation operating
 13 watercraft within this state during the previous calendar year shall file on forms
 14 prescribed by the department, a detailed description of all watercraft it operated as of
 15 January 1 of the current year.

16 SECTION 4. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO
 17 READ AS FOLLOWS:

18 (1) The department shall notify the corporation of the assessed value of its watercraft
 19 by July 1 of each year. The corporation shall have forty-five (45) days from the
 20 date of the department's notice of assessment to protest as provided by KRS
 21 131.110.

22 (2) No appeal shall delay the collection or payment of taxes based upon the
 23 assessment in controversy. The corporation shall pay to the department all state
 24 and local taxing district taxes due on the undisputed value of its watercraft as
 25 stated in the protest filed under KRS 131.110. When the valuation is finally
 26 determined upon appeal, the corporation shall be billed for any additional tax
 27 and interest at the tax interest rate as defined in KRS 131.010(6) from the date

1 the tax would have become due if the assessment had not been appealed. The
 2 provisions of KRS 134.390 shall apply to the tax bill.

3 (3) The state and local taxing district taxes on the watercraft are due forty-five (45)
 4 days from the date of notice of assessment. The tangible property taxes on
 5 watercraft shall be collected in accordance with the provisions of KRS 134.020.

6 (4) The state rate of taxation on watercraft shall be forty-five cents (\$0.45) upon each
 7 one hundred dollars (\$100) of assessed value of the watercraft.

8 (5) The department shall annually calculate an aggregate local rate, which shall be
 9 imposed upon each one hundred dollars (\$100) of assessed value of the
 10 watercraft.

11 (a) The aggregate local rate shall be the sum of each local personal property
 12 tax rate for each local taxing district multiplied by a fraction, the numerator
 13 of which shall be the length of the navigable waterways in the local taxing
 14 district and the denominator of which shall be the total of the length of all
 15 navigable waterways in this state. Both the numerator and the denominator
 16 shall be adjusted, if necessary, by paragraph (b) of this subsection.

17 (b) For purposes of computing the local property tax rate in paragraph (a) of
 18 this section, the length of the navigable waterways of the Green River shall
 19 be reduced by fifty percent (50%) and the length of the navigable waterways
 20 of the Kentucky River shall be reduced by seventy-five percent (75%).

21 (6) The watercraft taxes collected for local taxing districts by the department shall be
 22 distributed to each local taxing district based upon the local taxing district's
 23 fractional portion of the amount calculated in subsection (5) of this section.

24 (7) Prior to distribution of taxes to local taxing districts, the department shall retain
 25 an administrative fee of one percent (1%) of the amount due each district. The fee
 26 imposed by this subsection shall have no effect upon the discount provided to
 27 taxpayers pursuant to KRS 134.020(2).

SECTION 5. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO
READ AS FOLLOWS:

(1) As used in this section, "base collections" means actual collections received from property taxes assessed on watercraft for the 2007 calendar year. It shall not include collections for assessments for any other year.

(2) The department shall determine for each local taxing district the amount of base collections.

(3) If a local taxing district's base collections are greater than the taxes distributed to it under Section 4 of this Act for any year from 2008 to 2017, that local taxing district shall receive a distribution from the general fund equal to the difference.

SECTION 6. A NEW SECTION OF KRS CHAPTER 136 IS CREATED TO
READ AS FOLLOWS:

The taxes levied by Sections 1 to 6 of this Act are taxes on the watercraft only. The taxes levied by Sections 1 to 6 of this Act shall be in addition to any other taxes levied by state or local jurisdictions on any corporation.

Section 7. KRS 136.120 is amended to read as follows:

(1) (a) The following public service companies shall pay a tax on their operating property to the state, and to the extent the operating property is subject to local taxation, shall pay a local tax to the county, incorporated city, and taxing district where its operating property is located:

1. Railway companies;
2. Sleeping car companies;
3. Chair car companies;
4. Dining car companies;
5. Gas companies;
6. Water companies;
7. ~~Ferry companies;~~

8.] Bridge companies;

~~8.~~[9.] Street railway companies;

~~9.~~[10.] Interurban electric railroad companies;

~~10.~~[11.] Express companies;

~~11.~~[12.] Electric light companies;

~~12.~~[13.] Electric power companies;

~~13.~~[14.] Commercial air carriers;

~~14.~~[15.] Air freight carriers;

~~15.~~[16.] Pipeline companies;

~~16.~~[17.] ~~Common carrier water transportation companies;~~

~~18.] Privately owned regulated sewer companies;~~

~~17.~~[19.] Municipal solid waste disposal facilities, as defined by KRS
224.01-010(15), where solid waste is disposed by landfilling;

~~18.~~[20.] Railroad car line companies, which means any company, other
than a railroad company, which owns, uses, furnishes, leases, rents, or
operates to, from, through, in, or across this state or any part thereof, any
kind of railroad car including, but not limited to, flat, tank, refrigerator,
passenger, or similar type car; and

~~19.~~[21.] Every other like company or business performing any public
service.

(b) The following companies shall not be subject to the provisions of paragraph
(a) of this subsection:

1. Bus line companies;

2. Regular and irregular route common carrier trucking companies;

3. Taxicab companies;

4. Providers of communications service as defined in KRS 136.602; and

5. Providers of multichannel video programming services as defined in

KRS 136.602.

- 1
- 2 (2) (a) The property of the taxpayers shall be classified as operating property,
3 nonoperating tangible property, and nonoperating intangible property.
- 4 (b) Nonoperating intangible property within the taxing jurisdiction of the
5 Commonwealth shall be taxable for state purposes only at the same rate as the
6 intangible property of other taxpayers not performing public services.
- 7 (c) Operating property and nonoperating tangible property shall be subject to state
8 and local taxes at the same rate as the tangible property of other taxpayers not
9 performing public services.
- 10 (3) (a) The Department of Revenue shall:
- 11 1. Have sole power to value and assess all of the property of every
12 corporation, company, association, partnership, or person performing
13 any public service, including those enumerated above and all others to
14 whom this section may apply, whether or not the operating property,
15 nonoperating tangible property, or nonoperating intangible property has
16 previously been assessed by the department;
- 17 2. Allocate the assessment as provided by KRS 136.170; and
- 18 3. Certify operating property subject to local taxation and nonoperating
19 tangible property to the counties, cities, and taxing districts as provided
20 in KRS 136.180.
- 21 (b) All of the property assessed by the department pursuant to this section shall be
22 assessed as of December 31 each year for the following year's taxes, and the
23 lien on the property shall attach as of the assessment date.
- 24 (c) In the case of a taxpayer whose business is predominantly nonpublic service
25 and the public service business in which he is engaged is merely incidental to
26 his principal business, the department shall in the exercise of its judgment and
27 discretion determine, from evidence which it may have or obtain, what portion

1 of the operating property is devoted to the public service business subject to
2 assessment by the department under this section and shall require the
3 remainder of the property not so engaged to be assessed by the local taxing
4 authorities.

5 Section 8. The following KRS sections are repealed:

6 136.181 Watercraft assessment, taxation -- Allocation -- Value determination.

7 136.182 Nonresident owner or operator of watercraft to furnish description of property
8 and of route or system traversed.


9 136.183 When taxes on watercraft are due and payable -- Collection.

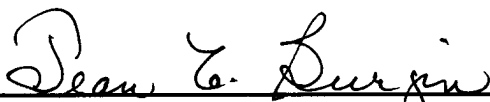
10 136.184 Protest against tentative assessment of watercraft.

11 136.187 Exemption of persons or entities covered by KRS 136.120.

12 Section 9. The provisions of this Act take effect January 1, 2008.


Speaker-House of Representatives


President of the Senate

Attest: 
Chief Clerk of House of Representatives

Approved 
Governor

Date 